

CITY OF GRIMES
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2020

CITY OF GRIMES

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CITY OF GRIMES

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Mikkelsen.	Mayor.	Jan 2022
Jill Altringer.	Mayor Pro tem.	Jan 2022
Ryan Burger.	Council Member.	Jan 2022
David Gisch.	Council Member.	Jan 2022
Eric Johansen.	Council Member.	Jan 2020
Jeremy Hamp.	Council Member.	Jan 2020
Jake Anderson.	City Administrator.	Dec 2019
Rochelle Williams.	City Clerk.	Indefinite
Marcia Woodke.	Financial Director.	Indefinite
Tom Henderson.	Attorney.	Indefinite

(After January 2020)

Scott Mikkelsen.	Mayor.	Jan 2022
Jill Altringer.	Mayor Pro tem.	Jan 2022
Ryan Burger.	Council Member.	Jan 2022
David Gisch.	Council Member.	Jan 2022
Eric Johansen.	Council Member.	Jan 2024
Andrew Borcharding.	Council Member.	Jan 2024
Jake Anderson.	City Administrator.	Dec 2020
Rochelle Williams.	City Clerk.	Indefinite
Marcia Woodke.	Financial Director.	Indefinite
Tom Henderson.	Attorney.	Indefinite

City of Grimes



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grimes, Iowa, as of and for the year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the

aggregate remaining fund information of the City of Grimes as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grimes' basic financial statements. The financial statements for the seven years ended June 30, 2017 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2019 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 44 through 49, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report date November 12, 2020 on our consideration of the City of Grimes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Grimes's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Grimes provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 49.9 %, or approximately \$14,734,000, from fiscal year 2019 to fiscal year 2020. Property tax increased approximately \$1,051,000 and bond proceeds increased approximately \$7,997,000.
- Disbursements of the City's governmental activities increased 46.5%, or approximately \$12,171,000, in fiscal year 2020 from fiscal year 2019. Public Safety disbursements increased approximately \$553,000. Capital projects increased approximately \$13,889,000.
- The City's total cash basis net position increased 26%, or approximately \$8,784,000 from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased approximately \$6,302,000 and the cash basis net position of the business type activities increased approximately \$2,482,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, the sanitary sewer system, the solid waste disposal system and the storm water system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer and Storm Water Funds, considered to be major funds of the City, and the Solid Waste Fund.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased over last year, from approximately \$23.788 million to approximately \$30.089 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 1,282,343	\$ 1,939,458
Operating grants, contributions and restricted interest	1,921,644	1,963,818
Capital grants, contributions and restricted interest	7,897,546	1,789,982
General receipts:		
Property tax	10,729,287	9,678,471
Tax increment financing	2,006,199	2,287,296
Local option sales tax	424,404	1,529
Other tax	57,171	69,637
Commercial/industrial tax replacement	370,916	335,951
Unrestricted interest on investments	43	66
Bond proceeds	19,150,322	11,153,182
Other	444,137	330,501
Total receipts	<u>44,284,012</u>	<u>29,549,891</u>
Disbursements:		
Public safety	5,159,596	4,605,642
Public works	2,175,957	2,227,551
Health and social service	16,800	27,100
Culture and recreation	1,725,083	1,655,611
Community and economic development	1,557,277	631,947
General government	1,247,312	1,219,225
Debt service	3,497,948	6,730,712
Capital projects	22,968,496	9,079,366
Total disbursements	<u>38,348,469</u>	<u>26,177,154</u>
Change in cash basis net position before transfers	5,935,543	3,372,737
Transfers, net	<u>366,000</u>	<u>486,300</u>
Change in cash basis net position	6,301,543	3,859,037
Cash basis net position beginning of year	<u>23,787,798</u>	<u>19,928,751</u>
Cash basis net position end of year	<u>\$ 30,089,341</u>	<u>\$ 23,787,788</u>

The City's total receipts for governmental activities increased 49.9%, or approximately \$14,734,000 over the prior year. The total cost of all programs and services increased approximately \$12,171,000, or 46.5%. The increase in receipts was primarily the result of proceeds received from the issuance of general obligation corporate purpose bonds and property tax receipts.

The cost of all governmental activities this year was approximately \$38.348 million compared to approximately \$26.177 million last year. However, as shown in the Statement of Activities and Net Position on pages 14 and 15 the amount taxpayers ultimately financed for these activities was \$27.247 million because some of the cost was paid by those directly benefiting from the programs (approximately \$1,282,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$9,819,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax

(some of which could only be used for certain programs) and with other receipts, such as interest, bond proceeds and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2020 from approximately \$5,693,000, to approximately \$11,102,000.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 3,906,818	\$ 3,092,437
Sewer	2,689,612	2,067,545
Storm water	671,008	635,942
Solid waste	510,444	442,452
Operating Grants, Contributions and restricted interest	54,932	51,033
General receipts:		
Unrestricted interest on investments	55,207	44,552
Bond proceeds, net of refunding	100,000	-
Other general receipts	317,240	247,530
Total receipts	<u>8,305,261</u>	<u>6,581,491</u>
Disbursements and transfers:		
Water	2,918,967	2,482,556
Sewer	1,619,362	1,640,844
Storm water	285,683	261,122
Solid waste	633,094	580,454
Transfers, net	366,000	486,300
Total disbursements and transfers	<u>5,823,106</u>	<u>5,451,276</u>
Change in cash basis net position	2,482,155	1,130,215
Cash basis net position beginning of year	<u>9,638,534</u>	<u>8,508,319</u>
Cash basis net position end of year	<u><u>\$12,120,689</u></u>	<u><u>\$ 9,638,534</u></u>

Total business type activities receipts for the fiscal year 2020 were approximately \$8.305 million compared to approximately \$6.581 million last year. The increase was due primarily to the increased charges for services receipts.

The cash balance for business type activities at June 30, 2020 increased \$2.482 million over the prior year. Receipts increased \$1.727 million and disbursements and transfers increased by \$0.372 million. Total disbursements and net transfers for the fiscal year increased from approximately \$5.451 million last year to approximately \$5.823 million for fiscal year 2020.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grimes completed the year, its governmental funds reported a combined fund balance of \$30,089,341, an increase of \$6,301,543 from last year's total of \$23,787,798. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased approximately \$1,005,000 over the prior year to \$8,245,894. The City continues to monitor taxes and ending fund balances to determine the ideal balance between having money in reserve for unforeseen emergencies versus keeping taxes at a consistent level. Increased property tax collections and increased license and permits contributed to the increase.

- The Special Revenue, Road Use Tax Fund cash balance increased \$486,074 from June 30, 2019 to June 30, 2020 and is now currently \$1,998,875. The City continues to work on pavement projects throughout the City and is committed to the continued use of road use tax receipts for major construction projects versus operation of the street department.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to finance projects whereby an investment by the City in infrastructure results in an overall larger tax base. At the end of the fiscal year, the cash balance was approximately \$999,000, a decrease of approximately \$901,000 from the previous year. The decrease was the result of increased transfers out to the Debt Service Fund and increased Developer Rebate Payments. These proceeds will be used for various construction and refurbishing projects within the urban renewal district.
- The Debt Service Fund cash balance increased to \$1,244,805 during fiscal year 2020 from \$1,157,624. The increase is mostly due to decreased payments on debt.
- The Capital Projects Fund cash balance increased from \$10,772,596 to \$15,603,315 in fiscal year 2020. Capital projects vary from year to year and are dependent on the timing of bonding proceeds and the timing of the large capital projects. Bond proceeds not yet spent accounted for most of the increase.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$1,187,284 to \$5,065,020. This balance allowed for \$200,000 to be transferred to the Capital Projects Fund. The receipts increased from approximately \$3,355,000 in 2019 to approximately \$4,206,000 in 2020 and there was an increase in disbursements from approximately \$2,483,000 in 2019 to approximately \$2,918,000 in 2020.
- The Enterprise, Sewer Fund cash balance increased \$958,917, from \$3,807,422 to \$4,766,339. Receipts increased approximately \$680,000 and disbursements decreased approximately \$21,000. This balance also allowed for \$200,000 to be transferred to the Capital Projects Fund.
- The Enterprise, Storm Water Fund cash balance increased approximately \$208,000 from approximately \$1,838,000 to approximately \$2,045,000. Receipts increased approximately \$8,000 and disbursements increased approximately \$25,000.
- Although this is a nonmajor fund, the Solid Waste Fund continues to be subsidized using emergency levy tax dollars. Also of note, the City Council enacted the storm water utility fee in January 2014. Approximately \$528,000 was received in fiscal year 2020 for solid waste.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 26, 2020. Typically, the City's amendments are necessitated by the actual timing of the disbursements for capital projects and for refinancing and issuances of bonds. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were approximately \$85,000 less than budgeted. This was primarily due to the City receiving less in Intergovernmental Receipts than budgeted.

Even with the budget amendments, total disbursements were approximately \$17,594,000 less than budgeted. This was primarily due to capital project expenditures being significantly under budget.

The City did not exceed the amounts budgeted for expenditures for the year ended June 30, 2020.

DEBT ADMINISTRATION

At June 30, 2020, the City had approximately \$60.252 million of bonds and other long-term debt outstanding compared to approximately \$43.225 million at June 30, 2019, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2020	2019
General obligation bonds	\$ 39,925	\$ 33,960
Revenue bonds	20,327	9,122
Lease-purchase agreements	-	143
Total	<u>\$ 60,252</u>	<u>\$ 43,225</u>

Debt increased as a result of issuing general obligation bonds and issuing water revenue bonds for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment financing debt of approximately \$39,925,000 is significantly below its constitutional debt limit of approximately \$70 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Grimes elected and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 9.2% versus 2.5% a year ago. This compares with the State's unemployment rate of 7.9% versus 2.5% last year.

These indicators were taken into account when adopting the budget for fiscal year 2021. The City expects increases in tax revenue of approximately \$235,000; benefitting from growth and increases in assessed valuations. Planned City revenues also increase due to proceeds from revenue bonds, development agreements, and rate increases. The City will use these increases in revenue to finance programs we currently offer and to defray a large portion of the costs of carrying out various construction and infrastructure projects. Budgeted disbursements increased approximately \$14,826,000 due to large street construction projects, street maintenance projects, and several large infrastructure projects. The City has added no major new programs or initiatives to the fiscal year 2021 budget.

If these estimates are realized, the City's cash balance is expected to increase approximately \$872,000 by the close of fiscal year 2021. This increase will be primarily due to monies being set aside to help fund the City's costs associated with joining the WRA.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jake Anderson, City Administrator, 101 North Harvey, Grimes, Iowa 50111 or by e-mail at janderson@grimesiowa.gov.

Basic Financial Statements

CITY OF GRIMES

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 5,159,596	\$ 221,548	\$ 221,078	\$ -
Public works	2,175,957	-	1,471,304	-
Health and social services	16,800	-	-	-
Culture and recreation	1,725,083	108,814	162,926	-
Community and economic development	1,557,277	941,239	12,836	-
General government	1,247,312	10,742	53,500	-
Debt service	3,497,948	-	-	48,653
Capital projects	22,968,496	-	-	7,848,893
Total governmental activities	<u>38,348,469</u>	<u>1,282,343</u>	<u>1,921,644</u>	<u>7,897,546</u>
Business type activities:				
Water	2,918,967	3,906,818	48,700	-
Sewer	1,619,362	2,689,612	-	-
Solid waster	633,094	510,444	-	-
Storm water	285,683	671,008	6,232	-
Total business type activities	<u>5,457,106</u>	<u>7,777,882</u>	<u>54,932</u>	<u>-</u>
Total	<u>\$43,805,575</u>	<u>\$9,060,225</u>	<u>\$1,976,576</u>	<u>\$7,897,246</u>

General receipts and transfers:

Property and other city tax levied for:

- General purposes
- Debt service

Tax increment financing

Local option sales tax

Hotel motel tax

Commercial/industrial tax replacement

Unrestricted interest on investments

Bond proceeds (including premium of \$428,534)

Refunded bonds

Miscellaneous

Sale of capital assets

Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

- Debt service
- Streets
- Urban renewal purposes
- Capital projects
- Other purposes
- Customer deposits

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (4,716,970)	\$ -	\$ (4,716,970)
(704,653)	-	(704,653)
(16,800)	-	(16,800)
(1,453,343)	-	(1,453,343)
(603,202)	-	(603,202)
(1,183,070)	-	(1,183,070)
(3,449,295)	-	(3,449,295)
(15,119,603)	-	(15,119,603)
(27,246,936)	-	(27,246,936)
-	1,036,551	1,136,551
-	1,070,250	1,070,250
-	(122,650)	(122,650)
-	391,557	391,557
-	2,375,708	2,375,708
(27,246,936)	2,375,708	(24,871,228)
8,810,304	-	8,810,304
1,918,983	-	1,918,983
2,006,199	-	2,006,199
424,404	-	424,404
57,171	-	57,171
370,916	-	370,916
43	55,207	55,250
19,150,322	1,408,287	20,558,609
-	(1,308,287)	(1,308,287)
442,354	317,240	759,594
1,783	-	1,783
366,000	(366,000)	-
33,548,479	106,647	33,654,926
6,301,543	2,482,155	8,783,698
23,787,798	9,638,534	33,426,332
\$ 30,089,341	\$12,120,689	\$42,210,030
\$ 1,244,805	\$ 715,499	\$ 1,960,304
1,998,875	-	1,998,875
999,364	-	999,364
15,603,315	-	15,603,315
2,023,590	-	2,023,590
-	139,087	139,087
8,219,392	11,266,103	19,485,495
\$30,089,341	\$12,120,689	\$42,210,030

CITY OF GRIMES

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$6,972,879	\$ -	\$ -
Tax increment financing	-	-	2,006,199
Other city tax	172,595	-	-
Licenses and permits	951,981	-	-
Use of money and property	490,446	-	-
Intergovernmental	536,563	1,468,294	-
Charges for service	331,663	-	-
Special assessments	-	-	-
Miscellaneous	60,203	420	-
Total receipts	9,516,330	1,468,714	2,006,199
Disbursements:			
Operating:			
Public safety	4,447,622	-	-
Public works	1,081,201	782,640	-
Health and social service	16,800	-	-
Culture and recreation	1,459,558	-	-
Community and economic development	172,007	-	1,352,601
General government	1,087,006	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	8,264,194	782,640	1,352,601
Excess (deficiency) of receipts over (under) disbursements	1,252,136	686,074	653,598
Other financing sources (uses):			
Bond proceeds	-	-	-
Bond premium	-	-	-
Sale of capital assets	1,783	-	-
Transfers in	-	-	-
Transfers out	(249,000)	(200,000)	(1,554,892)
Total other financing sources (uses)	(247,217)	(200,000)	(1,554,892)
Change in cash balances	1,004,919	486,074	(901,294)
Cash balances beginning of year	7,240,975	1,512,801	1,900,658
Cash balances end of year	\$8,245,894	\$1,998,875	\$ 999,364
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Streets	-	1,998,875	-
Urban renewal purposes	-	-	999,364
Other purposes	-	-	-
Unassigned	8,245,894	-	-
Total cash basis fund balances	\$8,245,894	\$1,998,875	\$ 999,364

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
\$ 1,875,798	\$ -.	\$ 1,624,556	\$10,473,233
-	-	-	2,006,199
43,185	-	521,849	737,629
-	-	-	951,981
43	40,569	-	531,058
62,558	1,775,800	3,184	3,846,399
-	-	79,848	411,511
48,653	989,153	-	1,037,806
-	5,043,371	32,097	5,136,091
2,030,237	7,848,893	2,261,534	25,131,907
-	-	711,974	5,159,596
-	-	312,116	2,175,957
-	-	-	16,800
-	-	265,525	1,725,083
-	-	32,669	1,557,277
-	-	160,306	1,247,312
3,497,948	-	-	3,497,948
-	22,968,496	-	22,968,496
3,497,948	22,968,496	1,482,590	38,348,469
(1,467,712)	(15,119,903)	778,944	(13,216,562)
-	18,721,788	-	18,721,788
-	428,534	-	428,534
-	-	-	1,783
1,554,892	800,000	15,000	2,369,892
-	-	-	(2,003,892)
1,554,892	19,950,622	15,000	19,518,105
87,181	4,830,719	793,944	6,301,543
1,157,624	10,772,596	1,203,144	23,787,798
\$1,244,805	\$15,603,315	\$ 1,997,088	\$30,089,341
\$1,244,805	\$ -	\$ -	\$ 1,244,805
-	-	-	1,998,875
-	-	-	999,364
-	15,603,315	1,997,088	17,600,403
-	-	-	8,245,894
\$1,244,805	\$15,603,315	\$ 1,997,088	\$30,089,341

CITY OF GRIMES

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise				
	Water	Sewer	Storm Water	Solid Waste Nonmajor	Total
Operating receipts:					
Charges for service	\$ 3,906,818	\$2,689,612	\$ 671,008	\$ 510,444	\$7,777,882
Use of money and property	48,700	-	-	-	48,700
Total operating receipts	3,955,518	2,689,612	671,008	510,444	7,826,582
Operating disbursements:					
Business type activities	1,891,574	1,022,586	285,683	633,094	3,832,937
Total operating disbursements	1,891,574	1,022,586	285,683	633,094	3,832,937
Excess (deficiency) of operating receipts over (under) operating disbursements	2,063,944	1,667,026	385,325	(122,650)	3,993,645
Non-operating receipts (disbursements):					
Interest on investments	26,226	28,981	-	-	55,207
Intergovernmental	-	-	6,232	-	6,232
Miscellaneous	224,507	59,686	15,952	17,095	317,239
Debt Service	(1,027,393)	(596,776)	-	-	(1,624,169)
Total non-operating receipts (disbursements)	(776,660)	(508,109)	22,184	17,095	(1,245,491)
Excess (deficiency) of receipts over (under) disbursements	1,287,284	1,158,917	407,509	(105,555)	2,748,154
Other financing sources (uses):					
Bond proceeds	1,408,287	-	-	-	1,408,287
Refunded bonds	(1,308,287)	-	-	-	(1,308,287)
Transfers in	-	-	-	234,000	234,000
Transfers out	(200,000)	(200,000)	(200,000)	-	(600,000)
Total other financing sources (uses)	(100,000)	(200,000)	(200,000)	234,000	(266,000)
Net change in cash balances	1,187,284	958,917	207,509	128,445	2,482,154
Cash balances beginning of year	3,877,736	3,807,422	1,837,698	115,679	9,638,535
Cash balances end of year	\$ 5,065,020	\$4,766,339	\$2,045,206	\$ 244,124	\$12,120,689
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 550,851	\$ 164,648	\$ -	\$ -	\$ 715,499
Customer meter deposits	139,087	-	-	-	139,087
Unrestricted	4,375,082	4,601,691	2,045,206	244,124	11,266,103
Total cash basis fund balances	\$5,065,020	\$4,766,339	\$2,045,206	\$ 244,124	\$12,120,689
See notes to financial statements.					

CITY OF GRIMES

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Grimes is a political subdivision of the State of Iowa located in Dallas and Polk Counties. It was first incorporated in 1894 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, storm water and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Grimes has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The financial statements present the City of Grimes (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

Grimes Fire and Rescue Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Polk County Assessor's Conference Board and the Polk County Joint E911 Service Board.

The City also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Des Moines Area Metropolitan Planning Organization and the Joint County/Municipal Disaster Services, Emergency Planning Administration, Polk County Fire/Rescue Service, Iowa Municipal Housing Agency and Homeland Security Services, Polk County Sheriff, Polk County Emergency Management Administration, Bravo, Metro Waste Authority, Dallas County Emergency Management and Dart Task Force.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

Fund Financial Statements - Continued

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(1) Summary of Significant Accounting Policies - Continued

law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$61,824 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Government activities					
General obligation bonds	\$ <u>33,960,000</u>	\$ <u>8,325,000</u>	\$ <u>2,420,000</u>	\$ <u>39,925,000</u>	\$ <u>3,815,000</u>
Business type activities					
Water revenue bonds	\$ 7,534,870	\$ 8,912,058	\$ 2,040,286	\$14,406,642	\$ 935,000
Sewer revenue bond	<u>1,587,455</u>	<u>2,824,717</u>	<u>549,000</u>	<u>3,863,172</u>	<u>542,000</u>
Business type activities total	\$ <u>9,122,325</u>	\$ <u>11,736,775</u>	\$ <u>2,589,286</u>	\$ <u>18,269,814</u>	\$ <u>1,477,000</u>
Lease-purchase agreement					
Pierce fire truck	\$ <u>142,703</u>	\$ <u>-</u>	\$ <u>142,703</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Series 2012 Street Improvements Issued December 1, 2012			
	Interest Rate	Principal	Interest	Total
2021	2.00%	\$ 305,000	\$ 87,931	\$ 392,931
2022	2.00%	310,000	81,831	391,831
2023	2.00%	315,000	75,631	390,631
2024	2.00%	325,000	69,331	394,331
2025	2.00%	330,000	62,831	392,831
2026-2030	2.125%-2.375%	1,750,000	210,437	1,960,437
2031-2035	2.50%	<u>760,000</u>	<u>28,625</u>	<u>788,625</u>
Total		<u>\$4,095,000</u>	<u>\$616,617</u>	<u>\$4,711,617</u>

Year Ending June 30,	Series 2015 Street Improvements Issued June 25, 2015			
	Interest Rate	Principal	Interest	Total
2021	3.00%	\$ 370,000	\$ 206,175	\$ 576,175
2022	2.50%	380,000	195,075	575,075
2023	2.50%	390,000	185,575	575,575
2024	2.75%	400,000	175,825	575,825
2025	2.75%	410,000	164,825	574,825
2026-2030	3.00%	2,240,000	637,400	2,877,400
2031-2035	3.00 - 3.50%	<u>2,610,000</u>	<u>271,925</u>	<u>2,881,925</u>
Total		<u>\$6,800,000</u>	<u>\$1,836,800</u>	<u>\$8,636,800</u>

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Year Ending June 30,	Series 2016 Water Improvements & 2007 Bond Refunding Issued May 25, 2016			
	Interest Rate	Principal	Interest	Total
2021	3.00%	\$ 640,000	\$ 86,781	\$ 726,781
2022	3.00%	650,000	67,581	717,581
2023	2.00%	230,000	48,081	278,081
2024	2.00%	235,000	43,481	278,481
2025	2.00%	240,000	38,781	278,781
2026-2030	2.00-2.375%	1,270,000	118,831	1,388,831
2031-2035	2.50%	<u>265,000</u>	<u>6,625</u>	<u>271,625</u>
Total		<u>\$3,530,000</u>	<u>\$ 410,161</u>	<u>\$3,940,161</u>

Year Ending June 30,	Series 2017 Street Improvements Issued May 3, 2017			
	Interest Rate	Principal	Interest	Total
2021	3.00%	\$ 775,000	\$ 82,812	\$ 857,812
2022	3.00%	800,000	59,562	859,562
2023	2.25%	825,000	35,562	860,562
2024	2.00%	850,000	17,000	867,000
2025	-	-	-	-
2026-2030	-	-	-	-
2031-2035	-	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>\$3,250,000</u>	<u>\$194,936</u>	<u>\$3,444,936</u>

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Series 2018A Street, Park Water/Sewer Improvements & Ambulance				
Issued June 27, 2018				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	4.00%	\$ 250,000	\$ 293,031	\$ 543,031
2022	4.00%	250,000	283,031	533,031
2023	4.00%	300,000	273,031	573,031
2024	4.00%	300,000	261,031	561,031
2025	3.00%	300,000	249,031	549,031
2026-2030	3.00%	4,750,000	930,156	5,680,156
2031-2035	3.00%3.125%	<u>3,205,000</u>	<u>198,093</u>	<u>3,403,093</u>
Total		<u>\$9,355,000</u>	<u>\$2,487,404</u>	<u>\$11,842,404</u>

Series 2019A Street, Sewer, Water, Storm Drainage, Signal & Land Purchase				
Issued June 26, 2019				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	2.50%	\$ 380,000	\$ 110,920	\$ 490,920
2022	2.50%	390,000	101,420	491,420
2023	2.50%	705,000	91,670	796,670
2024	2.50%	565,000	74,045	639,045
2025	2.50%	735,000	59,920	794,920
2026-2030	2.25% - 2.55%	1,135,000	154,990	1,289,990
2031-2035	2.55% - 2.65%	<u>600,000</u>	<u>31,600</u>	<u>631,600</u>
Total		<u>\$4,510,000</u>	<u>\$ 624,565</u>	<u>\$ 5,134,565</u>

Series 2020A Municipal Improvements				
Issued June 25, 2019				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	2.00%	\$1,095,000	\$ 156,520	\$1,251,520
2022	2.00%	495,000	145,800	640,800
2023	2.00%	525,000	135,900	660,900
2024	2.00%	465,000	125,400	590,400
2025	2.00%	475,000	116,100	591,100
2026-2030	2.00%	2,525,000	434,000	2,959,000
2031-2035	2.00%	<u>2,805,000</u>	<u>171,100</u>	<u>2,976,100</u>
Total		<u>\$8,385,000</u>	<u>\$ 1,284,820</u>	<u>\$ 9,669,820</u>

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Year Ending June 30,	Total G.O. Debt		
	Principal	Interest	Total
2021	\$ 3,815,000	\$1,024,171	\$4,839,171
2022	3,275,000	934,301	4,209,301
2023	3,290,000	845,451	4,135,451
2024	3,140,000	766,113	3,906,113
2025	2,490,000	691,488	3,181,488
2026-2030	13,670,000	2,485,815	16,155,815
2031-2035	<u>10,245,000</u>	<u>707,968</u>	<u>10,952,968</u>
Total	<u>\$39,925,000</u>	<u>\$7,455,307</u>	<u>\$47,380,307</u>

On December 1, 2012, the City issued \$6,000,000 of general obligation bonds with an interest rates ranging from 2.00%-2.50% per annum. The bonds were issued for street improvements. During the year ended June 30, 2020, the City paid \$300,000 of principal and \$93,931 of interest on the bonds.

On June 25, 2015, the City issued \$8,500,000 of general obligation bonds with an interest rates ranging from 2.50% to 3.50% per annum. The bonds were issued for street improvements. During the year ended June 30, 2020, the City paid \$360,000 of principal and \$216,975 of interest on the bonds.

On May 25, 2016, the City issued \$5,545,000 of general obligation bonds with an interest rates ranging from 2.00%-3.00% per annum. The bonds were issued to refund the Series 2007 bonds and for water improvements. During the year ended June 30, 2020, The City paid \$625,000 of principal and \$105,531 of interest on the bonds.

On April 11, 2017, the City issued \$5,410,000 of general obligation bonds with an interest rates ranging from 2.00%-3.00% per annum. The bonds were issued to refund the Series 2009 bonds for street improvements. During the year ended June 30, 2020, the City paid \$750,000 of principal and \$105,313 of interest on the bonds.

On June 27, 2018, the City issued \$9,855,000 of general obligation bonds with an interest rates ranging from 3.00%-4.00% per annum. The bonds were issued for streets, parks, water and sewer improvements and an ambulance. During the year ended June 30, 2020, the City paid \$250,000 in principal and \$303,031 in interest on the bonds.

On June 26, 2019, the City issued \$4,645,000 of general obligation bonds with an interest rates ranging from 2.10%-2.65% per annum. The bonds were issued for street, sewer, water, storm drainage, and signalization improvements and for land purchase. During the year ended June 30, 2020, the City paid \$135,000 in principal and \$106,357 in interest on the bonds.

On June 25, 2020, the City issued \$8,385,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for streets, water and sewer system, park and sidewalk improvements, and to acquire vehicles. During the year ended June 30, 2020 there were no payments made on the bonds.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Revenue Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	SRF - Water Revenue Refunding 2000 Bonds Issued December 19, 2000			
	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 43,000	\$ 753	\$ 43,753
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026-2030	-	-	-	-
2031-2035	-	-	-	-
Total		\$ <u>43,000</u>	\$ <u>753</u>	\$ <u>43,753</u>

Year Ending June 30,	SRF - Water Revenue Refunding 2000 Bonds Issued December 19, 2000			
	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 365,000	\$ 6,388	\$ 371,388
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026-2030	-	-	-	-
2031-2035	-	-	-	-
Total		\$ <u>365,000</u>	\$ <u>6,387</u>	\$ <u>371,388</u>

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

SRF - Water Revenue Bonds 2013 Issued July 26, 2013				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 99,000	\$ 25,568	\$124,568
2022	1.75%	101,000	23,835	124,835
2023	1.75%	104,000	22,068	126,068
2024	1.75%	106,000	20,247	126,247
2025	1.75%	108,000	18,393	126,393
2026-2030	1.75%	572,000	62,895	634,895
2031-2035	1.75%	<u>371,000</u>	<u>13,072</u>	<u>384,072</u>
Total		<u>\$1,461,000</u>	<u>\$ 186,078</u>	<u>\$ 1,647,078</u>

SRF - Water Revenue Bonds 2016 Issued September 23, 2016				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 25,000	\$ 8,138	\$ 33,138
2022	1.75%	25,000	7,700	32,700
2023	1.75%	26,000	7,262	33,262
2024	1.75%	26,000	6,807	32,807
2025	1.75%	27,000	6,353	33,353
2026-2030	1.75%	144,000	24,447	168,447
2031-2035	1.75%	158,000	11,393	169,393
2036-2040	1.75%	<u>34,000</u>	<u>595</u>	<u>34,595</u>
Total		<u>\$ 465,000</u>	<u>\$ 72,695</u>	<u>\$ 537,695</u>

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

SRF - Water Revenue Bonds 2019-1				
Issued March 8, 2019				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 180,000	\$ 70,420	\$ 250,420
2022	1.75%	184,000	67,270	251,270
2023	1.75%	187,000	64,050	251,050
2024	1.75%	190,000	60,778	250,778
2025	1.75%	193,000	57,452	250,452
2026-2030	1.75%	1,019,000	235,323	1,254,323
2031-2035	1.75%	1,111,000	142,992	1,253,992
2036-2040	1.75%	<u>960,000</u>	<u>42,350</u>	<u>1,002,350</u>
Total		\$4,024,000	\$ <u>740,635</u>	\$ <u>4,764,635</u>
Less funds not advanced as of June 30, 2020		<u>(685,452)</u>		

\$3,338,548

SRF - Water Revenue Bonds 2019-2				
Issued April 12, 2019				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 156,000	\$ 61,847	\$ 217,847
2022	1.75%	160,000	63,770	223,770
2023	1.75%	163,000	60,970	223,970
2024	1.75%	166,000	58,118	224,118
2025	1.75%	169,000	55,212	224,212
2026-2030	1.75%	899,000	230,423	1,129,423
2031-2035	1.75%	991,000	148,592	1,139,592
2036-2040	1.75%	<u>1,096,000</u>	<u>58,275</u>	<u>1,154,275</u>
Total		\$3,800,000	\$ <u>737,207</u>	\$ <u>4,537,207</u>
Less funds not advanced as of June 30, 2020		<u>(2,051,764)</u>		

\$1,748,236

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

SRF - Water Revenue Bonds 2019-3				
Issued June 7, 2019				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 67,000	\$ 26,126	\$ 93,126
2022	1.75%	68,000	24,955	92,955
2023	1.75%	69,000	23,765	92,765
2024	1.75%	71,000	22,557	93,557
2025	1.75%	72,000	21,315	93,315
2026-2030	1.75%	378,000	87,273	465,273
2031-2035	1.75%	412,000	53,008	465,008
2036-2040	1.75%	<u>356,000</u>	<u>15,697</u>	<u>371,697</u>
Total		\$1,493,000	\$ <u>274,696</u>	\$ <u>1,767,696</u>
Less funds not advanced as of June 30, 2020		<u>(151,889)</u>		

\$1,341,111

SRF - Water Revenue Bonds 2020				
Issued January 10, 2020				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	- %	\$ -	\$ 208,921	\$ 208,921
2022	1.75%	605,000	369,279	974,279
2023	1.75%	880,000	374,238	1,254,238
2024	1.75%	898,000	358,838	1,256,838
2025	1.75%	916,000	343,123	1,259,123
2026-2030	1.75%	4,861,000	1,468,687	6,329,687
2031-2035	1.75%	5,366,000	1,026,025	6,392,025
2036-2040	1.75%	5,925,000	537,302	6,462,302
2041-2045	1.75%	<u>2,539,000</u>	<u>66,867</u>	<u>2,605,867</u>
Total		\$21,990,000	\$ <u>4,753,280</u>	\$ <u>26,743,280</u>
Less funds not advanced as of June 30, 2020		<u>(15,859,705)</u>		
		<u>\$ 6,130,295</u>		

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

SRF - Sewer Revenue Bonds, Series 2000				
Issued December 19, 2000				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 389,000	\$ 6,807	\$395,807
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026-2030	-	-	-	-
2031-2035	-	-	-	-
Total		\$ <u>389,000</u>	\$ <u>6,807</u>	\$ <u>395,807</u>

SRF - Sewer Revenue Bonds, Series 2016				
Issued November 4, 2016				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	1.75%	\$ 153,000	\$ 49,928	\$ 202,928
2022	1.75%	156,000	47,250	203,250
2023	1.75%	159,000	44,520	203,520
2024	1.75%	163,000	41,737	204,737
2025	1.75%	166,000	38,885	204,885
2026-2030	1.75%	879,000	149,747	1,028,747
2031-2035	1.75%	971,000	69,668	1,040,668
2036-2040	1.75%	<u>206,000</u>	<u>3,605</u>	<u>209,605</u>
Total		\$ <u>2,853,000</u>	\$ <u>445,340</u>	\$ <u>3,298,340</u>

SRF - Sewer Revenue Bonds, Series 2020				
Issued June 21, 2020				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2021	- %	\$ -	\$ -	\$ -
2022	- %	-	-	-
2023	- %	<u>475,000</u>	<u>-</u>	<u>475,000</u>

Total		\$ 475,000	\$ <u>-</u>	\$ <u>475,000</u>
Less funds not advanced as of June 30, 2020		(<u>339,376</u>)		
		\$ <u>135,624</u>		

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

Year Ending June 30,	Total Revenue Debt Issued January 10, 2020			
	Interest Rate	Principal	Interest	Total
2021	1.75%	\$1,477,000	\$ 464,896	\$1,941,896
2022	1.75%	1,774,000	604,059	2,378,059
2023	1.75%	1,588,000	596,872	2,184,872
2024	1.75%	1,620,000	569,083	2,189,083
2025	1.75%	1,651,000	540,732	2,191,732
2026-2030	1.75%	8,752,000	2,258,795	11,010,795
2031-2035	1.75%	9,380,000	1,464,750	10,844,750
2036-2040	1.75%	8,577,000	657,885	9,234,825
2041-2045	1.75%	<u>2,539,000</u>	<u>66,867</u>	<u>2,605,867</u>
Total		\$37,358,000	\$ <u>7,223,879</u>	<u>\$44,581,879</u>
Less funds not advanced as of June 30, 2020		(19,088,186)		
		<u>\$18,269,814</u>		

Water and Sewer Revenue Bonds

On June 1, 2013, the Iowa Finance Authority reduced the interest rates on the water and sewer revenue bonds to 1.75% per annum. The agreements also require a .05% annual servicing fee. The resolutions providing for the issuance of the water and sewer revenue bonds issued under loan agreements between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. include the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activities and the bond holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to separate water and sewer revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (3) User rates shall be established at a level which produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

On July 26, 2013, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of water revenue bonds up to \$2,432,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

384.83 of the Code of Iowa to pay the cost of constructing a new Jordan water supply well. During the year ended June 30, 2020, the City paid principal of \$98,000 and interest of \$27,283 on the bonds under a preliminary repayment schedule.

On September 23, 2016, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of water revenue bonds up to \$577,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing a water treatment facility. During the year ended June 30, 2020, the City paid principal of \$24,000 and interest of \$8,557 on the bonds.

On November 4, 2016, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$3,435,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing a new wastewater treatment facility. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. During year ended June 30, 2020, the City paid principal of \$150,000 and interest of \$60,000 on the bonds.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$42,337,000 of water revenue bonds issued in December 2000, July 2013, September 2016, January 2019, March 2020, April 2020 and June 2020. Proceeds from the bonds provided financing for the construction of water main extensions and a well. The bonds are payable solely from water customer net receipts and are payable through 2042. Annual principal and interest payments on the bonds are expected to require less than 41% of net receipts. The total principal and interest remaining to be paid on the bonds issued in December 2000 is \$415,139. For the current year, principal and interest paid and total customer net receipts were \$408,335 and \$2,063,944, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$8,807,000 of sewer revenue bonds issued in December 2000 and November 2016. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 50% of net receipts. The total principal and interest remaining to be paid on the bonds issued in December 2000 is \$415,139. For the current year, principal and interest paid and total customer net receipts were \$400,035 and \$1,667,026, respectively.

On March 8, 2019, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of water revenue bonds up to \$4,200,000 with interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing a new Jordan water supply well. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2020 the City had drawn down \$3,514,548 of the authorized amount. During the year ended June 30, 2020, the City paid \$176,000 principal and \$62,676 of interest on the bonds.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(3) Bonds and Notes Payable - Continued

On April 12, 2019, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of water revenue bonds up to \$3,800,000 with interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing a new elevated storage tank. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2020 the City had drawn down \$1,748,236 of the authorized amount. During the year ended June 30, 2020, the City paid no principal and \$17,044 of interest on the bonds.

On June 7, 2019, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of water revenue bonds up to \$1,559,000 with the interest at 1.75% per annum. The bonds were issued in pursuant to the provisions of chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing a new water mains. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2020 the City had drawn down \$1,407,111 of the authorized amount. During the year ended June 30, 2020, the City paid \$66,000 in principal and \$21,239 of interest.

On January 10, 2020, the City entered into a loan agreement with the Iowa Finance Authority (IFA) for the issuance of water revenue bonds up to \$21,990,000 at the rate of 1.75% per annum. The agreement also requires the City to annual pay a 0.25% service fee on the outstanding principal balance. The bonds are issued pursuant to and in strict compliance with the provisions of sections 384.24A and 384.83 of the Code of Iowa for the purpose of providing funds to pay a portion of the cost of planning, designing and constructing improvements and extensions to the municipal waterworks utility system of the City. During the year ended June 30, 2020, the City had drawn down \$6,130,295 of the authorized amount. During the year ended June 30, 2020 the City paid no principal and \$21,820 in interest on the bonds.

On June 21, 2020, the City entered into a sewer loan and disbursement agreement anticipation project note with the Iowa Finance Authority (IFA) for the issuance of sewer bonds up to \$475,000 at no interest rate. During the year ended June 30 2020, the City paid no principal on the loan.

Lease Purchase Agreement

Payments under the lease-purchase agreement totaled \$144,256 for the year ended June 30, 2020.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension Plan - Continued

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension Plan - Continued

plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$387,409.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$1,453,404 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0250991%, which was an increase of 0.001115% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City pension expense deferred outflows of resources and deferred inflows of resources totaled, \$3403,801, \$362,034 and \$453,521 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation	
(effective June 30, 2017)	2.60% per annum
Rates of salary increases	3.25 to 16.25%, average, including inflation.
(effective June 30, 2017)	Rates vary by membership group
Long-term investment rate of return	7.00%, compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(4) Pension Plan - Continued

weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$3,291,745	\$1,453,404	\$(87,690)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$234 to \$932 for single coverage and \$507 to \$1,826 for family coverage depending upon age. For the year ended June 30, 2020, the City contributed \$576,934 and plan members eligible for benefits contributed \$49,959 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City of Grimes and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>51</u>
Total	<u><u>51</u></u>

The City has entered into an agreement with the City Manager which formally identifies the financial obligation of the City to him in the event of an involuntary employment termination. The severance agreement provides for a termination payment equal to six months of wages plus six months of employee insurance benefits. The compensation rate is based upon the compensation paid to the applicable employee at the time of termination.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 127,108
Compensatory time	12,303
Sick leave	372,548
Personal time	<u>99,658</u>
Total	\$ <u><u>611,617</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Special Revenue		
Economic Development	General Fund	\$ <u>15,000</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>1,554,892</u>
Capital Projects	Special Revenue:	
	Road Use Tax	200,000
	Enterprise:	
	Water	200,000
	Sewer	200,000
	Storm Water	<u>200,000</u>
		<u>800,000</u>
Enterprise:		
Solid Waste	General	<u>234,000</u>
Total		<u>\$ 2,603,892</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(8) Risk Management - Continued

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$180,727.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City provides health coverage for its employees through a self-insurance plan funded and administrated by the City. The City assumes liability for the difference in deductibles from the plan for any amounts over \$250 for individual coverage and \$500 for family coverage. Monthly payments of claims are paid from the City's Employee Benefit Fund. During the year ended June 30, 2020, the City paid \$14,110 from the Employee Benefit Fund to fund the fees and claims paid by the City.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(9) Development and Rebate Agreements

The City has entered into 21 development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the developers in exchange for the costs of certain infrastructure improvement projects constructed by the City as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for periods ranging from five to ten years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The maximum amount to be rebated under the development and rebate agreements is the lesser of actual project costs paid by the developer or \$47,535,876. The agreements do not include provisions for payment of interest.

During the year ended June 30, 2020, the City rebated \$1,352,601 of incremental property tax to developers. The outstanding principal balance on these agreements at June 30, 2020 is approximately \$44,952,000.

No bonds or notes were issued for these projects. To the extent there are insufficient tax increment receipts available on any payment date to make the required scheduled payment, the unpaid amount shall be carried over to the next payment date without accruing any interest.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$444,649 of property tax under the urban renewal and economic development projects.

(11) Industrial Development Revenue Bonds

The City entered into a loan agreement, dated July 1, 2004, with the Des Moines Christian School Association to obtain funds to loan to the Association. Pursuant to the loan agreement, the City issued an Education Facility Revenue Note, Series 2004, dated October 1, 2004, for \$7,200,000 under Chapter 419 of the Code of Iowa and secured the note by assignment of the loan agreement to First Federal Bank, West Des Moines, Iowa. The proceeds of the note are to be paid directly to or at the direction of the Des Moines Christian School Association for paying project costs or retiring existing debt. \$2,641,536 in principal remains outstanding at June 30, 2020.

CITY OF GRIMES

Notes to Financial Statements - Continued

June 30, 2020

(11) Industrial Development Revenue Bonds - Continued

The City entered into a loan agreement, dated December 29, 2017, with the Young Men's Christian Association of Greater Des Moines, Iowa to loan to the Association. The borrower covenants that the proceeds of the Series 2017 bonds are to be used only with respect of the permanent financing of the project. \$2,911,908 in principal remains outstanding at June 30, 2020.

The notes and the related interest are payable solely from payments derived pursuant to the loan agreements and from the properties which secure payment of the notes. The note principal and interest do not constitute liabilities of the City.

(12) Construction Commitments

The City has entered into construction contracts totaling \$48,039,002. Costs of \$17,188,825 had been paid this fiscal year on the contracts. \$17,637,411 of costs are remaining on the contracts and will be paid as work on these projects progresses.

(13) Subsequent Events

The City has evaluated all subsequent events through November 12, 2020, the date the financial statements were available to be issued.

On August 25, 2020, the City approved a general obligation refunding loan agreement of \$4,170,000, Series 2020B.

(14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

(15) Contingency

The COVID-19 outbreak is disrupting business across a range of industries in the United States. As a result, local, regional and national economies, including the of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City operations and finances.

City of Grimes

CITY OF GRIMES

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 10,473,233	\$ -	\$ -	\$ 10,473,233
Tax increment financing	2,006,199	-	-	2,006,199
Other city tax	737,629	-	-	737,629
Licenses and permits	951,981	-	-	951,981
Uses of money and property	531,058	103,907	-	634,965
Intergovernmental	3,846,399	6,232	-	3,852,631
Charges for service	411,511	7,777,882	-	8,189,393
Special assessments	1,037,806	-	-	1,037,806
Miscellaneous	5,136,091	317,239	18,686	5,434,644
Total receipts	25,131,907	8,205,260	18,686	33,318,481
Disbursements:				
Public safety	5,159,596	-	28,736	5,130,860
Public works	2,175,957	-	-	2,175,957
Health and social services	16,800	-	-	16,800
Culture and recreation	1,725,083	-	-	1,725,083
Community and economic development	1,557,277	-	-	1,557,277
General government	1,247,312	-	-	1,247,312
Debt service	3,497,948	-	-	3,497,948
Capital projects	22,968,496	-	-	22,968,496
Business type activities	-	5,457,106	-	5,457,106
Total disbursements	38,348,469	5,457,106	28,736	43,776,839
Excess (deficiency) of receipts over (under) disbursements	(13,216,562)	2,748,154	(10,050)	(10,458,358)
Other financing sources (uses), net	19,518,105	(266,000)	-	19,252,105
Excess of receipts and other financing sources over disbursements and other financing uses	6,301,543	2,482,154	(10,050)	8,793,747
Balances beginning of year	23,787,798	9,638,535	26,500	33,399,833
Balances end of year	\$ 30,089,341	\$12,120,689	\$ 16,450	\$ 42,193,580

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Total variance- Positive (Negative)
Original	Final	
\$10,620,675	\$10,620,675	\$ (147,442)
2,158,592	2,158,592	(152,393)
386,174	625,174	112,455
748,900	748,900	203,081
98,353	159,353	475,612
7,493,902	7,230,235	(3,377,604)
7,510,600	7,936,600	252,793
100,000	100,000	937,806
3,788,302	3,824,302	1,610,342
32,905,498	33,403,831	(85,350)
5,176,882	5,376,882	246,022
2,911,070	2,911,070	735,113
50,000	50,000	33,200
2,173,177	2,250,386	525,303
1,935,992	1,948,992	391,715
1,555,260	1,542,260	294,948
3,590,844	3,590,844	92,896
31,335,000	37,049,252	14,080,756
6,223,395	6,650,895	1,193,879
54,951,620	61,370,581	17,593,742
(22,046,122)	(27,966,750)	17,508,392
15,813,000	26,345,750	(7,093,645)
(6,233,122)	(1,621,000)	10,414,747
32,148,768	33,426,331	(26,498)
<u>\$25,915,646</u>	<u>\$31,805,331</u>	<u>\$ 10,388,249</u>

CITY OF GRIMES

Notes To Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by a total of \$6,418,961. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, no disbursements exceeded the amounts budgeted.

CITY OF GRIMES

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Fiscal Years*
(In Thousands)

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.0250991%	0.0239843%	0.0223333%	0.021417%	0.018996%	0.016858%
City's proportionate share of the net pension liability	\$ 1,435	\$ 1,518	\$ 1,516	\$ 1,348	\$ 938	\$ 669
City's covered payroll	\$ 3,075	\$ 2,805	\$ 2,457	\$ 2,068	\$ 1,896	\$1,674
City's proportionate share of the net pension liability as a percentage of its covered payroll	46.67%	54.12%	61.70%	65.18%	49.47%	39.96%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

CITY OF GRIMES

Schedule of City Contributions

Iowa Public Employees' Retirement System For the Last 10 Fiscal Years (In Thousands)

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 387	\$ 298	\$ 260	\$ 226
Contributions in relation to the statutorily required contribution	<u>(387)</u>	<u>(298)</u>	<u>(260)</u>	<u>(226)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 4,045	\$ 3,075	\$ 2,805	\$ 2,457
Contributions as a percentage of covered payroll	9.56%	9.69%	9.27%	9.20%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
\$ 190	\$ 175	\$ 154	\$ 134	\$114	\$ 96
(190)	(175)	(154)	(134)	(114)	(96)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,068	\$ 1,896	\$ 1,674	\$ 1,497	\$ 1,356	\$ 1,289
9.19%	9.23%	9.20%	8.95%	8.41%	7.45%

CITY OF GRIMES

Notes to Other Information - Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates..
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

CITY OF GRIMES

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Employee Benefits	Economic Development Revolving Loan	Special Grimes Fire and Rescue Association
Receipts:			
Property tax	\$1,624,556	\$ -	\$ -
Other City tax	40,274	-	-
Use of money and property	-	3,184	-
Intergovernmental	58,341	-	-
Miscellaneous	1,715	9,652	18,686
Total receipts	<u>1,724,886</u>	<u>12,836</u>	<u>18,686</u>
Disbursements:			
Operating:			
Public safety	683,238	-	28,736
Public Works	312,116	-	-
Culture and recreation	252,069	-	-
Community and economic development	-	-	-
General government	160,306	-	-
Total disbursements	<u>1,407,729</u>	<u>-</u>	<u>28,736</u>
Excess (deficiency) of receipts over (under)disbursements	317,157	12,836	(10,050)
Other financing sources:			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in cash balances	317,157	12,836	10,050
Cash balances beginning of year, as restated	<u>751,639</u>	<u>129,836</u>	<u>26,500</u>
Cash balances end of year	<u>\$1,068,796</u>	<u>\$142,672</u>	<u>\$ 16,450</u>
Cash Basis Fund Balances			
Restricted for other purposes	<u>\$1,068,796</u>	<u>\$142,672</u>	<u>\$ 16,450</u>

See accompanying independent auditor's reports.

Revenue				
FEMA Grant	Library	Economic Development	Local Option Sales Tax	Total
\$ -	\$ -	\$ -	\$ -	\$1,624,556
-	-	57,171	424,404	521,849
-	-	-	-	3,184
-	21,507	-	-	79,848
-	2,044	-	-	32,097
-	23,551	57,171	424,404	2,261,534
-	-	-	-	711,974
-	-	-	-	312,116
-	8,207	5,249	-	265,525
-	-	32,669	-	32,669
-	-	-	-	160,306
-	8,207	37,918	-	1,482,590
-	15,344	19,253	424,404	778,944
-	-	15,000	-	15,000
-	-	-	-	-
-	15,344	34,253	424,404	793,944
34,240	100,743	158,805	1,381	1,203,144
\$34,240	\$116,087	\$193,058	\$425,785	\$1,997,088
\$34,240	\$116,087	\$193,058	\$425,785	\$1,997,088

CITY OF GRIMES

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose - Series 2012	Dec 1, 2012	2.00-2.50%	\$ 6,000,000
Corporate purpose - Series 2015	Jun 25, 2015	2.50-3.50%	8,500,000
Corporate purpose - Series 2016	May 25, 2016	2.00-3.00%	5,545,000
Corporate purpose - Series 2017	May 3, 2017	2.00-3.00%	5,410,000
Corporate purpose - Series 2018A	Jun 27, 2019	3.00-4.00%	9,855,000
Corporate purpose - Series 2019A	Jun 26, 2019	2.10-2.65%	4,645,000
Corporate purpose - Series 2020A	June 25, 2020	2.00%	8,385,000
Total			
Revenue notes:			
Water SRF	Dec 19, 2000	1.75% **	\$ 611,000
Water SRF	Dec 19, 2000	1.75% *	5,359,000
Water SRF	Jul 26, 2013	1.75% **	2,432,000
Water SRF	Sep 23, 2016	1.75% **	577,000
Water SRF	Jan 5, 2019	1.75% **	1,809,000
Sewer SRF	Dec 19, 2000	1.75% *	5,372,000
Sewer SRF	Nov 4, 2016	1.75% **	3,435,000
Water SRF	Mar 8, 2019	1.75% **	4,200,000
Water SRF	Apr 12, 2019	1.75% **	3,800,000
Water SRF	Jun 7, 2019	1.75% **	1,559,000
Water SRF	Jan 10, 2020	1.75% **	21,990,000
Sewer SRF	June 21, 2020	1.75% **	475,000
Total			
Lease-purchase agreement:			
Pierce Fire Truck	Dec 21, 2015	2.00%	\$ 700,000

* The Iowa Finance Authority reduced the interest rates on the water and sewer revenue bonds to 1.75% per annum as of June 1, 2013. The agreements also require a .05% annual servicing fee.

** The City is required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 4,395,000	\$ -	\$ 300,000	\$ 4,095,000	\$ 93,931	\$ -
7,160,000	-	360,000	6,800,000	216,975	-
4,155,000	-	625,000	3,530,000	105,531	-
4,000,000	-	750,000	3,250,000	105,313	-
9,605,000	-	250,000	9,355,000	303,031	-
4,645,000	-	135,000	4,510,000	106,358	-
-	8,385,000	-	8,385,000	-	-
<u>\$33,960,000</u>	<u>\$8,385,000</u>	<u>\$2,420,000</u>	<u>\$39,925,000</u>	<u>\$ 931,139</u>	<u>\$ -</u>
\$ 84,000	\$ -	\$ 41,000	\$ 43,000	\$ 1,470	\$ -
718,000	-	353,000	365,000	12,565	-
1,559,000	-	98,000	1,461,000	27,283	-
489,000	-	24,000	465,000	8,557	-
1,180,373	127,913	1,308,286	-	-	-
762,000	-	373,000	389,000	13,335	-
3,003,000	-	150,000	2,853,000	52,553	-
825,455	2,689,093	176,000	3,338,548	45,229	-
311,949	1,436,287	-	1,748,236	17,044	-
189,548	1,217,563	66,000	1,341,111	19,802	-
-	6,130,295	-	6,130,295	21,820	-
-	135,624	-	135,624	-	-
<u>\$ 9,122,325</u>	<u>\$11,736,775</u>	<u>\$2,589,286</u>	<u>\$18,269,814</u>	<u>\$219,658</u>	<u>\$ -</u>
<u>\$ 142,703</u>	<u>\$ -</u>	<u>\$ 142,703</u>	<u>\$ -</u>	<u>\$ 1,506</u>	<u>\$ -</u>

CITY OF GRIMES

Bond Maturities

June 30, 2020

Year Ending June 30,	General					
	Corporate Purpose Series 2012		Corporate Purpose Series 2015		Corporate Purpose Series 2016	
	Issued Dec 1, 2012		Issued June 25, 2015		Issued May 25, 2016	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	2.00%	\$ 305,000	3.00%	\$ 370,000	3.00%	\$ 640,000
2022	2.00	310,000	2.50	380,000	3.00	650,000
2023	2.00	315,000	2.50	390,000	2.00	230,000
2024	2.00	325,000	2.75	400,000	2.00	235,000
2025	2.00	330,000	2.75	410,000	2.00	240,000
2026	2.13	335,000	3.00	420,000	2.00	245,000
2027	2.00	345,000	3.00	435,000	2.00	250,000
2028	2.00	350,000	3.00	450,000	2.13	250,000
2029	2.13	355,000	3.00	460,000	2.25	260,000
2030	2.38	365,000	3.00	475,000	2.38	265,000
2031	2.50	375,000	3.00	490,000	2.50	265,000
2032	2.50	385,000	3.00	510,000		-
2033		-	3.50	520,000		-
2034		-	3.50	535,000		-
2035		-	3.50	555,000		-
Total		<u>\$ 4,095,000</u>		<u>\$ 6,800,000</u>		<u>\$ 3,530,000</u>

See accompanying independent auditor's report.

Obligation Bonds								
Corporate Purpose Series 2017		Corporate Purpose Series 2018A		Corporate Purpose Series 2019A		Corporate Purpose Series 2020A		
Issued May 3, 2017		Issued June 27, 2019		Issued June 26, 2019		Issued June 25, 2020		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
3.00%	\$ 775,000	4.00%	\$ 250,000	2.50%	\$ 380,000	2.00%	\$ 1,095,000	\$ 3,815,000
3.00	800,000	4.00	250,000	2.50	390,000	2.00	495,000	3,275,000
2.25	825,000	4.00	300,000	2.50	705,000	2.00	525,000	3,290,000
2.00	850,000	4.00	300,000	2.50	565,000	2.00	465,000	3,140,000
-	-	3.00	300,000	2.50	735,000	2.00	475,000	2,490,000
-	-	3.00	750,000	2.25	240,000	2.00	485,000	2,475,000
-	-	3.00	1,000,000	2.10	245,000	2.00	495,000	2,770,000
-	-	3.00	1,000,000	2.20	250,000	2.00	505,000	2,805,000
-	-	3.00	1,000,000	2.35	200,000	2.00	515,000	2,790,000
-	-	3.00	1,000,000	2.55	200,000	2.00	525,000	2,830,000
-	-	3.00	1,050,000	2.55	200,000	2.00	535,000	2,915,000
-	-	3.00	1,050,000	2.65	200,000	2.00	545,000	2,690,000
-	-	3.125	1,105,000	2.65	200,000	2.00	560,000	2,385,000
-	-	-	-	-	-	2.00	575,000	1,110,000
-	-	-	-	-	-	2.00	590,000	1,125,000
	<u>\$ 3,250,000</u>		<u>\$ 9,355,000</u>		<u>\$ 4,510,000</u>		<u>\$ 8,385,000</u>	<u>\$ 39,925,000</u>

CITY OF GRIMES

Bond Maturities - Continued

June 30, 2020

Year Ending June 30,	Revenue							
	Water SRF		Water SRF		Water SRF		Water SRF	
	Issued Dec 19, 2000		Issued Dec 19, 2000		Issued Jul 12, 2013		Issued Sep 23, 2016	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rate	Amount
2021	1.75%	\$ 43,000	1.75%	\$ 365,000	1.75%	\$ 99,000	1.75%	\$ 25,000
2022		-		-	1.75	101,000	1.75	25,000
2023		-		-	1.75	104,000	1.75	26,000
2024		-		-	1.75	106,000	1.75	26,000
2025		-		-	1.75	108,000	1.75	27,000
2026		-		-	1.75	110,000	1.75	28,000
2027		-		-	1.75	112,000	1.75	28,000
2028		-		-	1.75	114,000	1.75	29,000
2029		-		-	1.75	117,000	1.75	29,000
2030		-		-	1.75	119,000	1.75	30,000
2031		-		-	1.75	121,000	1.75	30,000
2032		-		-	1.75	124,000	1.75	31,000
2033		-		-	1.75	126,000	1.75	32,000
2034		-		-		-	1.75	32,000
2035		-		-		-	1.75	33,000
2036		-		-		-	1.75	34,000
2037		-		-		-		-
2038		-		-		-		-
2039		-		-		-		-
2040		-		-		-		-
Total		<u>\$ 43,000</u>		<u>\$ 365,000</u>		<u>\$ 1,461,000</u>		<u>\$ 465,000</u>
Less funds not advanced as of June 30, 2020		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
Total Due		<u><u>\$ 43,000</u></u>		<u><u>\$ 365,000</u></u>		<u><u>\$ 1,461,000</u></u>		<u><u>\$ 465,000</u></u>

See accompanying independent auditor's report.

Bonds							
Sewer SRF		Sewer SRF		Water SRF		Water SRF	
Issued Dec 19, 2000		Issued Nov 4, 2016		Issued Mar 8, 2019		Issued Apr 12, 2019	
Interest		Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
1.75%	\$ 389,000	1.75%	\$ 153,000	1.75%	\$ 180,000	1.75%	\$ 156,000
-	-	1.75	156,000	1.75	184,000	1.75	160,000
-	-	1.75	159,000	1.75	187,000	1.75	163,000
-	-	1.75	163,000	1.75	190,000	1.75	166,000
-	-	1.75	166,000	1.75	193,000	1.75	169,000
-	-	1.75	169,000	1.75	197,000	1.75	173,000
-	-	1.75	172,000	1.75	200,000	1.75	176,000
-	-	1.75	176,000	1.75	204,000	1.75	180,000
-	-	1.75	179,000	1.75	207,000	1.75	183,000
-	-	1.75	183,000	1.75	211,000	1.75	187,000
-	-	1.75	187,000	1.75	215,000	1.75	191,000
-	-	1.75	190,000	1.75	218,000	1.75	194,000
-	-	1.75	194,000	1.75	222,000	1.75	198,000
-	-	1.75	198,000	1.75	226,000	1.75	202,000
-	-	1.75	202,000	1.75	230,000	1.75	206,000
-	-	1.75	206,000	1.75	234,000	1.75	211,000
-	-	-	-	1.75	238,000	1.75	215,000
-	-	-	-	1.75	242,000	1.75	219,000
-	-	-	-	-	246,000	1.75	223,000
-	-	-	-	-	-	-	228,000
	<u>\$ 389,000</u>		<u>\$ 2,853,000</u>		<u>\$ 4,024,000</u>		<u>\$ 3,800,000</u>
	-		-		(685,452)		(2,051,764)
	<u>\$ 389,000</u>		<u>\$ 2,853,000</u>		<u>\$ 3,338,548</u>		<u>\$ 1,748,236</u>

Year Ending June 30,	Water SRF		Water SRF		Sewer SRF			Total
	Issued June 7, 2019		Issued Jan 10, 2020		Issued June 21, 2020			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2021	1.75%	\$ 67,000	1.75%	\$ -	- %	\$ -	\$ 1,477,000	
2022	1.75	68,000	1.75	605,000	-	-	1,299,000	
2023	1.75	69,000	1.75	880,000	-	475,000	2,063,000	
2024	1.75	71,000	1.75	898,000	-	-	1,620,000	
2025	1.75	72,000	1.75	916,000	-	-	1,651,000	
2026	1.75	73,000	1.75	934,000	-	-	1,684,000	
2027	1.75	74,000	1.75	953,000	-	-	1,715,000	
2028	1.75	76,000	1.75	972,000	-	-	1,751,000	
2029	1.75	77,000	1.75	991,000	-	-	1,783,000	
2030	1.75	78,000	1.75	1,011,000	-	-	1,819,000	
2031	1.75	80,000	1.75	1,031,000	-	-	1,855,000	
2032	1.75	81,000	1.75	1,052,000	-	-	1,890,000	
2033	1.75	82,000	1.75	1,073,000	-	-	1,927,000	
2034	1.75	84,000	1.75	1,094,000	-	-	1,836,000	
2035	1.75	85,000	1.75	1,116,000	-	-	1,873,000	
2036	1.75	87,000	1.75	1,139,000	-	-	1,884,000	
2037	1.75	88,000	1.75	1,161,000	-	-	1,920,000	
2038	1.75	90,000	1.75	1,185,000	-	-	1,960,000	
2039	1.75	91,000	1.75	1,208,000	-	-	1,580,000	
2040	1.75	-	1.75	1,232,000	-	-	1,232,000	
2041	-	-	1.75	1,257,000	-	-	1,257,000	
2042	-	-	1.75	1,282,000	-	-	1,282,000	
Total		\$ 1,493,000		\$ 21,990,000		\$ 475,000	\$37,358,000	
Less funds								
June 30, 2020		(151,889)		(15,859,705)		(339,376)	(19,088,186)	
Total Due		\$ 1,341,111		\$ 6,130,295		\$ 135,624	\$18,269,814	

City of Grimes

CITY OF GRIMES

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 10,473,233	\$ 9,441,950	\$ 8,142,946	\$ 7,419,454
Tax increment financing	2,006,199	2,287,296	2,782,432	1,797,621
Other city tax	737,629	307,687	75,533	235,576
Licenses and permits	951,981	1,474,864	957,905	621,241
Use of money and property	531,058	322,939	107,127	135,996
Intergovernmental	3,846,399	2,513,486	2,820,355	7,769,602
Charges for service	411,511	517,477	986,159	760,861
Special assessments	1,037,806	1,123,452	654,243	127,336
Miscellaneous	5,136,091	350,871	785,595	84,031
Total	<u>\$ 25,131,907</u>	<u>\$ 18,340,022</u>	<u>\$ 17,316,295</u>	<u>\$18,951,988</u>
Disbursements:				
Operating:				
Public safety	\$ 5,159,596	\$ 4,605,642	\$ 4,431,305	\$ 3,322,060
Public works	2,175,957	2,227,551	2,035,534	2,045,727
Health and social services	16,800	27,100	28,100	-
Culture and recreation	1,725,083	1,655,611	1,275,719	1,189,625
Community and economic development	1,557,277	631,947	181,133	192,037
General government	1,247,312	1,219,225	1,164,599	844,506
Debt service	3,497,948	6,730,712	3,227,895	8,947,462
Capital projects	22,968,496	9,079,366	7,461,570	13,330,469
Total	<u>\$ 38,348,469</u>	<u>\$ 26,177,154</u>	<u>\$ 19,705,855</u>	<u>\$ 29,871,886</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
\$ 6,492,546	\$ 6,150,238	\$ 5,812,917	\$ 5,384,022	\$ 5,145,434	\$ 5,033,717
1,344,848	1,298,253	1,174,536	1,355,445	1,161,927	1,060,037
215,936	224,025	210,131	204,179	243,855	226,812
575,011	698,252	466,683	423,560	345,021	261,512
192,312	71,657	72,145	67,607	77,028	146,295
1,952,540	1,828,242	1,131,826	1,283,467	2,193,161	4,219,426
686,458	595,965	615,911	437,434	355,207	291,711
182,091	161,553	154,437	199,663	190,504	273,936
109,654	102,384	93,372	99,578	90,807	512,549
<u>\$11,751,396</u>	<u>\$ 11,130,569</u>	<u>\$ 9,730,958</u>	<u>\$ 9,434,995</u>	<u>\$ 9,802,944</u>	<u>\$ 12,025,995</u>

\$ 2,969,314	\$ 4,617,319	\$ 2,280,626	\$ 1,771,301	\$ 1,792,889	\$ 1,342,355
1,734,554	3,875,949	1,893,484	1,401,187	2,264,122	1,461,193
-	-	-	-	5,809	-
1,117,152	1,512,321	1,175,528	869,581	893,848	937,497
118,560	143,281	126,683	122,300	122,548	114,011
817,689	1,044,050	687,525	655,158	534,360	521,971
3,403,085	2,845,086	2,773,233	3,734,868	3,666,018	2,150,932
5,431,157	6,020,914	3,442,998	2,683,365	5,094,990	6,624,078
<u>\$ 15,591,511</u>	<u>\$ 18,519,268</u>	<u>\$ 12,383,077</u>	<u>\$ 11,237,760</u>	<u>\$ 14,374,584</u>	<u>\$ 13,152,037</u>

City of Grimes

CITY OF GRIMES
Schedule of Expenditures of Federal Awards
June 30, 2020

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	STBG-SWAP-3125(614)SG-77	\$ 869,583
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	STP-U-3125 (616) - 70-77	50,054
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BRM-3125(613)-8N-77	<u>25,000</u>
			944,637
Environmental Protection Agency:			
Iowa Finance Authority:			
Capitalization Grants for Drinking Water			
Revolving Funds	66.468	DWSRFD504RT	<u>6,130,295</u>
Total			\$ <u>7,074,932</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant award activity of the City of Grimes under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Grimes, it is not intended to and does not present the financial position, changes in financial position or cash flows of City of Grimes.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The City of Grimes has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grimes, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2020, report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grimes' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grimes' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grimes' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-20 to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Grimes' financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in part II of the Accompanying Schedule of Findings as items 11-B-20 through 11-D-20 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grimes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Grimes' Responses to Findings

The City of Grimes' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Grimes' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Grimes during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 12, 2020

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**



MARTENS & COMPANY, CPA, LLP

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Grimes, Iowa's compliance with types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Grimes' major federal program for the year ended June 30, 2020. The City's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Grimes' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grimes' compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Grimes' compliance.

Opinion on the Major Federal Program

In our opinion, the City of Grimes complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The management of the City of Grimes is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Grimes' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Grimes' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 12, 2020

CITY OF GRIMES

Schedule of Findings

Year ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 66.468 - Catalog of Federal Domestic Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Grimes did not qualify as a low-risk auditee.

CITY OF GRIMES

Schedule of Findings

Year ended June 30, 2020

Part II: Findings Related to the Financial Statements:

II-A-20 Fire Association Debit Cards

Criteria - Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and supporting documentation.

Condition - The Grimes Fire and Rescue Association (component unit) has debit cards available for use by volunteers while on Department business. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

Cause - The Grimes Fire and Rescue Association has not adopted the City's recommendation to prohibit the use of debit cards.

Effect - Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriation.

Recommendation - The City should continue to emphasize to the Grimes Fire and Rescue Association the importance of prohibiting the use of debit cards for purchases.

Response - The City will continue to recommend to the Grimes Fire and Rescue Association that they prohibit their use.

Conclusion - Response accepted.

II-B-20 Personal Purchases

Criteria - Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and supporting documentation.

Condition - A supervisor purchased personal items and charged them to a City account from a retailer. The charges for personal items were subsequently removed from the City account by the retailer. The supervisor fueled a personal vehicle using gasoline from the public works fuel tank, and then subsequently paid the City for the fuel. The supervisor requested an employee complete a personal form on city time, for which she estimated it took 3-4 hours..

Cause - Utilization of City property for personal use and using City accounts for personal purchases violates provisions of the Grimes Employee Manual.

Effect - There was no monetary effect to the City due to the reimbursement for the fuel and the removal of charges for personal items. Payroll costs related to personal tasks were not readily determinable.

CITY OF GRIMES

Schedule of Findings

Year ended June 30, 2020

Part II: Findings Related to the Financial Statements - Continued:

II-B-20 Personal Purchases - Continued

Recommendation - The City should modernize its management and tracking of fuel use to strengthen internal controls and reinforce, through increased training of employees, compliance with City policies.

Response - The violation of the Grimes Employee Manual was addressed administratively with the employee. Additionally, the City will investigate alternatives for modernizing management and tracking of fuel use, and employee training will be reinforced..

Conclusion - Response accepted.

II-C-20 Council Approval of Projects

Criteria - Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and supporting documentation.

Condition - On City contracts over a specified amount, the Grimes Purchasing Policy requires competitive bids and requires approval of the contract by the City Council. In two instances, projects were commenced without competitive bidding being sought, and without contract approval by the City Council as required by the Grimes Purchasing Policy.

Cause - The Grimes Purchasing Policy requires City projects over a certain amount be bid and contracts approved by the City Council. An employee disregarded City policy and entered into unauthorized contracts.

Effect - There was no monetary effect, as the projects were planned and completed, but the City's procedure requiring competitive bidding and City Council approval was not followed.

Recommendation - The City should reinforce, through increased supervision, compliance with Grimes Purchasing Policies.

Response -The failure to follow Grimes Purchasing Policies was addressed administratively with the employee..

Conclusion - Response accepted.

II-D-20 Purchasing Policy

Criteria - Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and supporting documentation.

CITY OF GRIMES

Schedule of Findings

Year ended June 30, 2020

Part II: Findings Related to the Financial Statements - Continued:

II-D-20 Purchasing Policy - Continued

Condition - The City's control over projects and personnel noted that public works crews were directed by a supervisory employee to perform work that was included in the scope of a City project contract. The employee also verbally agreed to purchase a trailer from a private contractor without following Grimes Purchasing Policy by seeking competitive bids and obtaining City Council approval for the contract purchase. The employee also transported and used the trailer for personnel use. The supervisor requested that one invoice should be split between labor and equipment/materials and then did not process the invoice timely through the City's financial system.

Cause - The Grimes Purchasing Policy was not followed which requires equipment be bid competitively. The contract purchase be approved by City Council and invoices be processed in order to pay charges timely.

Effect - There was no monetary effect to the City. With regard to contract work completed by the public works employees, a project change order reduced the scope of the compensated work to be completed by the contractor. The trailer was returned to the owner.

Recommendation - The City should reinforce, through increased supervision, compliance with City policies.

Response - The failure to follow Grimes Purchasing Policy was addressed administratively with the employee.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

CITY OF GRIMES

Schedule of Findings

Year ended June 30, 2020

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-20 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as define in an Attorney General's opinion dated April 25, 1979.
- IV-B-20 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-C-20 Business Transactions - No business transactions between the City and City officials or employees were noted.
- IV-D-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-E-20 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-F-20 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-G-20 Water and Sewer Revenue Bonds - No instances of non-compliance with the provisions of the revenue bond resolutions were noted.
- IV-H-20 Annual Urban Renewal Report - No instances of non-compliance with the Annual Urban Renewal Report were noted.
- IV-I-20 Restricted Donor Activity - No transaction were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.